

**GATHERING WATERS, INC.**

**FINANCIAL STATEMENTS**

June 30, 2016 and 2015

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Gathering Waters, Inc.  
Madison, Wisconsin

We have audited the accompanying financial statements of Gathering Waters, Inc., which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the 2016 financial statements referred to above present fairly, in all material respects, the financial position of Gathering Waters, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Prior Year Financial Statements**

The financial statements of Gathering Waters, Inc., as of June 30, 2015, were audited by other auditors whose report dated September 17, 2015, expressed an unmodified opinion on those statements.

*Wegner CPAs LLP*  
Wegner CPAs, LLP  
Madison, Wisconsin  
September 16, 2016

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**GATHERING WATERS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2016 and 2015

	2016	2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 298,700	\$ 244,363
Certificates of deposit	80,590	75,123
Unconditional promises to give	138,800	146,900
Prepaid expenses	9,910	10,328
Total current assets	528,000	476,714
<b>FURNITURE AND EQUIPMENT</b>		
Furniture and equipment	12,040	12,040
Less accumulated depreciation	(11,536)	(11,198)
Furniture and equipment - net	504	842
Unconditional promises to give - net	3,600	28,800
Investments	108,007	107,805
<b>Total assets</b>	<b>\$ 640,111</b>	<b>\$ 614,161</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 3,833	\$ 10,983
Payroll liabilities	3,787	1,075
Accrued vacation	12,946	11,954
Total liabilities	20,566	24,012
<b>NET ASSETS</b>		
Undesignated	369,895	337,199
Designated for easement enforcement and monitoring	20,000	20,000
Total unrestricted	389,895	357,199
Temporarily restricted	218,900	222,200
Permanently restricted	10,750	10,750
Total net assets	619,545	590,149
<b>Total liabilities and net assets</b>	<b>\$ 640,111</b>	<b>\$ 614,161</b>

See accompanying notes.

**GATHERING WATERS, INC.**  
**STATEMENT OF ACTIVITIES**  
Year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 183,150	\$ 60,800	\$ -	\$ 243,950
Grants	116,500	118,500	-	235,000
Special events	17,916	-	-	17,916
Conference	30,836	-	-	30,836
Investment return	675	-	-	675
Net assets released from restrictions	182,600	(182,600)	-	-
<b>Total revenue and support</b>	<b>531,677</b>	<b>(3,300)</b>	<b>-</b>	<b>528,377</b>
<b>EXPENSES</b>				
Program services				
Technical training and assistance	148,126	-	-	148,126
Education and outreach	116,625	-	-	116,625
Policy and government relations	83,644	-	-	83,644
Program development	21,495	-	-	21,495
<b>Total program services</b>	<b>369,890</b>	<b>-</b>	<b>-</b>	<b>369,890</b>
Supporting activities				
Management and general	49,488	-	-	49,488
Fundraising	79,603	-	-	79,603
<b>Total supporting activities</b>	<b>129,091</b>	<b>-</b>	<b>-</b>	<b>129,091</b>
<b>Total expenses</b>	<b>498,981</b>	<b>-</b>	<b>-</b>	<b>498,981</b>
<b>Change in net assets</b>	<b>32,696</b>	<b>(3,300)</b>	<b>-</b>	<b>29,396</b>
Net assets - beginning of year	357,199	222,200	10,750	590,149
<b>Net assets - end of year</b>	<b>\$ 389,895</b>	<b>\$ 218,900</b>	<b>\$ 10,750</b>	<b>\$ 619,545</b>

See accompanying notes.

**GATHERING WATERS, INC.**  
**STATEMENT OF ACTIVITIES**  
Year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 209,925	\$ 34,700	\$ -	\$ 244,625
Grants	322,050	168,000	-	490,050
Special events	23,265	-	-	23,265
Conference	7,480	-	-	7,480
Investment return	9,201	-	-	9,201
Net assets released from restrictions	74,800	(74,800)	-	-
Total revenue and support	646,721	127,900	-	774,621
<b>EXPENSES</b>				
Program services				
Technical training and assistance	176,845	-	-	176,845
Education and outreach	210,433	-	-	210,433
Policy and government relations	181,298	-	-	181,298
Program development	2,879	-	-	2,879
Total program services	571,455	-	-	571,455
Supporting activities				
Management and general	48,508	-	-	48,508
Fundraising	92,093	-	-	92,093
Total supporting activities	140,601	-	-	140,601
Total expenses	712,056	-	-	712,056
<b>Change in net assets</b>	(65,335)	127,900	-	62,565
Net assets - beginning of year	422,534	94,300	10,750	527,584
<b>Net assets - end of year</b>	<u>\$ 357,199</u>	<u>\$ 222,200</u>	<u>\$ 10,750</u>	<u>\$ 590,149</u>

See accompanying notes.

**GATHERING WATERS, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years ended June 30, 2016 and 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 29,396	\$ 62,565
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	338	338
Unrealized and realized (gain) loss on investments	2,667	(5,641)
Discount on unconditional promises to give	(1,550)	(3,000)
Allowance for uncollectible unconditional promises to give	(1,550)	(6,000)
(Increase) decrease in assets		
Unconditional promises to give	36,400	(98,200)
Prepaid expenses	418	4,507
Increase (decrease) in liabilities		
Accounts payable	(7,150)	7,207
Payroll liabilities	2,712	2,176
Accrued vacation	992	2,621
<b>Net cash flows from operating activities</b>	<b>62,673</b>	<b>(33,427)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends retained in investments	(2,869)	(3,197)
Proceeds from sales of investments	-	73,605
Purchase of and interest retained in certificates of deposit	(5,467)	(75,373)
Redemption of certificates of deposit	-	100,500
<b>Net cash flows from investing activities</b>	<b>(8,336)</b>	<b>95,535</b>
<b>Net change in cash</b>	<b>54,337</b>	<b>62,108</b>
Cash - beginning of year	244,363	182,255
<b>Cash - end of year</b>	<b>\$ 298,700</b>	<b>\$ 244,363</b>

See accompanying notes.

**GATHERING WATERS, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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Gathering Waters, Inc. (Organization) seeks to preserve, maintain, and enhance the ecological integrity of Wisconsin's lands and waters, and to protect lands with conservation and open space values for the benefit of the public, including lands designated under the state's Knowles-Nelson Stewardship Fund program. As a statewide coalition and service center for Wisconsin's private, non-profit land trusts (which currently number more than 50), the Organization's goals are to increase the professionalism and build the capacity of the state's private, non-profit conservation organizations, educate the general public and private landowners on the tools available to preserve private lands, and promote public policies that support private land conservation efforts. The Organization is primarily supported by grants and contributions from foundations and the general public. The following summary of significant accounting policies is presented to enhance the usefulness of the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation**

The Organization is required to report information regarding its financial position and activities according to three classes of net assets:

*Unrestricted net assets*—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

*Temporarily restricted net assets*—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

*Permanently restricted net assets*—Net assets that have been restricted by donors to be maintained by the Organization in perpetuity.

**Unconditional Promises to Give**

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Uncollectible promises are written off after management has used reasonable collection efforts and determine the promises will not be collected.

**Furniture and Equipment**

Purchases of furniture and equipment in excess of \$1,500 are capitalized at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the years ended June 30, 2016 and 2015 was \$338.

**Investments**

Investments in marketable equity securities with readily determinable fair value are stated at their fair value in the statements of financial position. Realized and unrealized gains and losses are included in the change in unrestricted net assets in the accompanying statements of activities.



**GATHERING WATERS, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Contributions**

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**Expense Allocation**

The costs of the Organization's programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. The following describes those activities:

*Program Services*

The Organization seeks to preserve, maintain, and enhance the ecological integrity of Wisconsin's lands and waters through technical training and assistance, education and outreach, policy and government relations, renewal of the Knowles-Nelson Stewardship Fund, and new program development.

Technical training and assistance programs include building the capacity of more than 50 established land trust organizations in Wisconsin through conferences, workshops, one-on-one mentoring, and professional assistance.

Education and outreach activities include educating the general public, professionals, and private landowners about the importance of land conservation and the voluntary tools available to permanently set aside private lands for conservation.

Policy and government relations programs educate decision makers at all levels of government and promote state and federal policies that support and encourage the work of land trusts and the conservation of private land. Another mission of the program is to coordinate the activities of state, federal, and local agencies on conservation programs.

Program development activities involve planning for the future of land and water conservation in Wisconsin, through consultation with land trusts and other conservation leaders and strategic planning activities.

*Supporting Activities*

Supporting activities consist of general and administrative functions and fundraising. Fundraising expenses include salaries, benefits, travel, and administrative costs associated with proposal writing, direct appeal efforts, and communication with prospective funding sources.

**GATHERING WATERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Income Tax Status**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

**Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

**Date of Management’s Review**

Management has evaluated subsequent events through September 16, 2016, the date which the financial statements were available to be issued.

**Reclassifications**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 2 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2016 and 2015 consisted of the following:

	2016	2015
Receivable in less than one year	\$ 138,800	\$ 148,650
Receivable in one to five years	4,000	30,550
Promises to give	142,800	179,200
Less discount to net present value	(200)	(1,750)
Less allowance for uncollectible promises to give	(200)	(1,750)
Unconditional promises to give - net	\$ 142,400	\$ 175,700

Promises receivable in one to five years are discounted at 5%.

**GATHERING WATERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

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**NOTE 3 – INVESTMENTS**

Investments at June 30, 2016 and 2015 consisted of mutual funds for the following purposes:

	<u>2016</u>	<u>2015</u>
Unrestricted	\$ 97,257	\$ 97,055
Restricted for endowment	<u>10,750</u>	<u>10,750</u>
Investments	<u><u>\$ 108,007</u></u>	<u><u>\$ 107,805</u></u>

Investment return for the years ended June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 3,342	\$ 3,560
Unrealized and realized gain (loss)	<u>(2,667)</u>	<u>5,641</u>
Investment return	<u><u>\$ 675</u></u>	<u><u>\$ 9,201</u></u>

**NOTE 4 – NET ASSETS**

Temporarily restricted net assets at June 30, 2016 and 2015 are available for the following purposes or periods:

	<u>2016</u>	<u>2015</u>
Purpose restrictions		
Advocacy and policy	\$ 88,500	\$ 24,000
Greater Milwaukee Stewardship Cluster	2,500	2,500
Lake Michigan Basin Conservation	17,000	117,000
LEAP	55,000	-
Program planning	20,000	-
Time restrictions		
Subsequent years' activities	<u>35,900</u>	<u>78,700</u>
Temporarily restricted net assets	<u><u>\$ 218,900</u></u>	<u><u>\$ 222,200</u></u>

Permanently restricted net assets at June 30, 2016 and 2015 consist of the endowment fund assets to be held indefinitely. The income from the assets can be used to support the Organization's programs.

**GATHERING WATERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

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**NOTE 5 – FAIR VALUE MEASUREMENTS**

Fair values of assets measured on a recurring basis at June 30, 2016 and 2015 are as follows:

	Fair Value	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds - 2016	\$ 108,007	\$ 108,007	\$ -	\$ -
Mutual funds - 2015	\$ 107,805	\$ 107,805	\$ -	\$ -

Fair values for mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions.

**NOTE 6 – ENDOWMENT**

The Organization’s endowment consists of several donations held in mutual funds to be used to fund internships. Its endowment includes donor - restricted endowment funds and investment return earned by those funds. Net assets associated with endowment funds, including the investment return, are classified and reported based on the existence or absence of donor-imposed restrictions.

The state of Wisconsin enacted UPMIFA effective July 20, 2009, the provisions of which apply to endowment funds existing on or established after that date. The Organization has determined that its permanently restricted net assets meet the definition of endowment funds under UPMIFA. The Organization has interpreted Wisconsin’s enacted version of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. However, the Organization has notified its’ donors that they reserve the right to make a distribution from their funds even if the value of the fund drops below the amount of the initial gift. In accordance with Wisconsin’s enacted version of UPMIFA, the Organization expects it will need to consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization’s investment policies.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the original investment of the endowment. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce returns to fund the sustainability of the Organization’s work while assuming a moderate level of investment risk.

**GATHERING WATERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

NOTE 6 – ENDOWMENT (continued)

Endowment net asset composition by type of fund as of June 30, 2016 and 2015:

<u>2016</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 10,750	\$ 10,750
<u>2015</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 10,750	\$ 10,750

Changes in endowment net assets are as follows:

<u>2016</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ -	\$ -	\$ 10,750	\$ 10,750
Endowment net assets - end of year	\$ -	\$ -	\$ 10,750	\$ 10,750
<u>2015</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ -	\$ -	\$ 10,750	\$ 10,750
Endowment net assets - end of year	\$ -	\$ -	\$ 10,750	\$ 10,750

NOTE 7 – OPERATING LEASES

The Organization has an operating lease for office space that expires on October 31, 2019 and requires monthly payments of \$2,480 that increase 3% each November. The Organization has an operating lease for office equipment that expires October 31, 2018 and requires quarterly payments of \$917.

Future minimum rental payments for years ending June 30 are as follows:

2017	\$ 34,930
2018	35,870
2019	34,390
2020	11,164

Lease expense for the years ended June 30, 2016 and 2015 was \$33,428 and \$33,953.

**GATHERING WATERS, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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**NOTE 8 – COMMUNITY TRUST FUND**

In 2006, the Bolz Family Endowment Fund for Gathering Waters Conservancy (Fund) was established at Madison Community Foundation (Foundation) as a component fund of the Foundation. The Foundation, as a community trust, serves the mutual interests of Dane County and those individuals and organizations who wish to enhance the quality of life in the community through charitable giving. Component funds of the Foundation are established by donors for the benefit of the community, and, when these funds are established, donors may indicate what organizations or causes should benefit from distributions from the fund. However, donors also grant the Foundation variance power that allows the Foundation to modify the donors' stipulations under certain circumstances as the Foundation monitors the changing needs of the community. Therefore, the Fund is not included in the Organization's financial statements.

The amount available for annual distributions represents 4.75% of a rolling twelve-quarter average. All other interest and appreciation is added to the Fund. Principal may not be drawn from the Fund except with approval of the Foundation's board of governors. The Organization for the years ended June 30, 2016 and 2015 received \$2,038 and \$1,948 from the Fund. The fair value of the Fund at June 30, 2016 and 2015 was \$41,955 and \$43,551.

**NOTE 9 – RETIREMENT PLAN**

The Organization has a tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code for employees who meet eligibility requirements. The Organization's annual contribution to the plan is equal to 4.75% of the eligible employees' compensation at the discretion of the Board. Retirement plan contributions for the years ended June 30, 2016 and 2015 were \$14,769 and \$16,386.